

KARL T. KLEIN  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0320  
IDAHO BAR NO. 5156

RECEIVED  
2015 NOV 17 AM 8:55  
IDAHO PUBLIC  
UTILITIES COMMISSION

Street Address for Express Mail:  
472 W. WASHINGTON  
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS )	
COMPANY'S APPLICATION FOR AN )	CASE NO. INT-G-15-03
ACCOUNTING ORDER REGARDING THE )	
TREATMENT OF CERTAIN REGULATORY )	COMMENTS OF THE
EXPENSES. )	COMMISSION STAFF
_____ )	

The Staff of the Idaho Public Utilities Commission comments as follows on  
Intermountain Gas Company's Application.

### BACKGROUND

On October 9, 2015, Intermountain Gas Company applied for an accounting order authorizing it to defer and record, as a regulatory asset, expenses it incurs to prepare for and present its next general rate case. The Company is not asking the Commission to determine ratemaking treatment at this time; the Company simply proposes accounting treatment that would let the Company track those costs and then argue for their recovery at a later date when it seeks a rate increase. The Company asks that the proposed accounting treatment be effective as of November 1, 2015. An accounting order may be approved for booking purposes at any point within a financial reporting quarter.

In support of its Application, the Company explains that it has not filed a general rate case since 1985 (*see* Case No. U-1034-122). The Company states, however, that it expects to file a general rate case in the next twelve (12) months. The Company states that it lacks the

necessary staff to prepare and present the expected rate case, and that it will thus need to retain outside consultants. The Company thus seeks an accounting order allowing it to record its consultant-related expenses as a regulatory asset so it will have the opportunity to ask the Commission to let it recover those expenses in the future.

## **STAFF REVIEW**

Staff found no prior authorization or precedence allowing the Company to capture and defer expected rate case expenses. The Company filed its last rate case in 1985. Staff understands the Company does not have personnel available to prepare and perform the work necessary to present a case in the next 12 months, and that the Company thus expects to hire outside consultants and incur incremental costs to prepare and process the case.

The Company notes that rate case expenses do not fall under the category of usual or recurring, but that such, expenses can nevertheless qualify for regulatory asset consideration under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980 – Regulated Operations. Staff agrees with the Company. Two conditions must be satisfied for the expenses to qualify as a regulatory asset. The conditions are that future revenue, at least equal to the expense, must (1) occur because the rate case expense has been expended, and (2) be applied to that specific rate case expense incurred. Upon review of similar requests and cases, Staff believes the Company will meet these criteria. Staff thus recommends the Commission grant authority to create a regulatory asset to capture and defer external rate case expenses incurred by the Company for prudence review at the time of the next general rate case.

Treating the expenses as a regulatory asset recognizes the nature of the expenses and allows them to be deferred for potential future recovery in a rate case. At this time, the estimated deferred expenses are less than \$400,000. Expenses anticipated to be deferred include: outside legal counsel, working capital analysis, revenue requirement studies, cost of capital, cost of service model and associated studies, rate design, contract computer programming, intervenor funding, climatological studies and customer awareness. Staff recommends that the Commission limit the types of expenses allowed for deferral by excluding all salaries and other usual and recurring costs incurred in operating the utility, and unnecessary or imprudent expenditures specifically promoting the pending rate case. A deferral order does not prevent Staff from auditing or challenging the appropriateness, reasonableness and prudence of any costs deferred. And, ultimately, the Company must provide detailed documentation supporting any expenses


claimed in the next general rate case. The Company and Staff agree that any ratemaking treatment associated with this regulatory asset, should the Commission approve it, will be determined by the Commission in the general rate case that the Company intends to file within the next 12 months. Staff does not, however, believe it is appropriate to defer rate case costs for an extended period of time beyond a normal time frame to prepare and process a general rate case. Staff thus recommends that deferrals stop if the Company has not filed by January 1, 2017.

### STAFF RECOMMENDATIONS

Staff recommends that the Commission issue an accounting order authorizing the Company to establish a regulatory asset effective November 1, 2015, to defer the external costs associated with the onset, continuance and completion of the general rate case anticipated to occur within the next 12 months. Staff believes deferring those expenses is reasonable since the last general rate case was in 1985, and the Company currently lacks appropriate personnel to prepare and present its next rate case. Allowing the Company to defer the expenses will afford the Company a reasonable opportunity to recover rate case expenses and provide consistent regulatory treatment with other Idaho utilities. Accordingly, Staff recommends that the Commission:

1. Allow deferral of external costs associated with the impending rate case to occur within the next 12 months;
2. Order compilation and retention of detailed documentation supporting rate case expenses presented for deferral; and
3. Stop deferral of rate case expenses if the Company has not filed a general rate case by January 1, 2017.

Respectfully submitted this 17<sup>th</sup> day of November 2015.

  
Karl T. Klein  
Deputy Attorney General

Technical Staff: Amber Christofferson  
Terri Carlock


i:umisc/comments/intg15.3kktcac comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17<sup>TH</sup> DAY OF NOVEMBER 2015, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-15-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

MICHAEL P McGRATH  
DIR – REGULATORY AFFAIRS  
INTERMOUNTAIN GAS CO  
PO BOX 7608  
BOISE ID 83707  
E-MAIL: [mike.mcgrath@intgas.com](mailto:mike.mcgrath@intgas.com)

RONALD L WILLIAMS  
WILLIAMS BRADBURY  
1015 W HAYS ST  
BOISE ID 83702  
E-MAIL: [ron@williamsbradbury.com](mailto:ron@williamsbradbury.com)

  
\_\_\_\_\_  
SECRETARY